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March 30, 2006

Mr. Bob Frisby
Beaver Dam Water Company
Post Office Box 550
Beaver Dam, Arizona 86432

RE: Beaver Dam Water Company – Application for an extension of its Certificate of Convenience and Necessity. Docket No. W-03067A-06-0117.

INSUFFICIENCY LETTER

Dear Mr. Frisby:

The application of Beaver Dam Water Company for an extension of its CC&N, Docket No. W-03067A-06-0117, has not met the sufficiency requirements as outlined in the Arizona Administrative Code (“A.A.C.”). Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

To correct the deficiencies, please provide the following information:

1. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area. The report should include the following:
 - A.) The capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.
 - B.) The estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.
 - C.) The location of future and existing transmission mains and the timing or construction phasing of facilities.
 - D.) A description of water quality and water quality problems with the existing and future sources of water. For example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic, nitrates or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions?

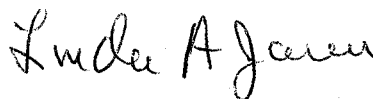
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- E.) Any other information which will assist Staff in its analysis necessary to conclude that the company has sufficient water production capacity or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N area.
2. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Designation of Assured Water Supply, Certificate of Assured Water Supply or Letter of Adequate Water Supply for the CC&N area requested. If none of these are available, please provide a copy the ADWR Physical Availability Determination.
 3. Please provide a set of design plans for the proposed water facilities. If final plans are not available, preliminary design plans should be provided.
 4. Please provide an estimate of the water construction costs to the Applicant, necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, water treatment plant, etc.). The method of financing for the major components should be specified.
 5. Provide a copy of Beaver Dam Water Company, Inc.'s city or county franchise.
 6. Indicate the name of the sewer service provider in the proposed area.
 7. On January 26, 2006, Beaver Dam filed a statement that it had not been able to obtain a report showing the arsenic level of the proposed well at Shadow Ridge Subdivision. The Company then requested a 6-month extension to "complete the construction of the well." Please provide the reason Beaver Dam has been unable to obtain a report showing the arsenic level of the proposed well at Shadow Ridge Subdivision.

If you have any questions concerning the deficiencies listed above, please contact Jian Liu at 602-542-7276 for items number 1 through 4, contact me at 602-542-0859 for items 5, 6 and 7.

Yours truly,



Linda A. Jaress
Executive Consultant III